VZCZCXRO3819
PP RUEHTRO
DE RUEHTU #0056/01 0231616
ZNR UUUUU ZZH
P 231616Z JAN 09
FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC PRIORITY 5935
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY
RUCNMGH/MAGHREB COLLECTIVE

UNCLAS SECTION 01 OF 02 TUNIS 000056

SENSITVE
SIPDIS

STATE FOR NEA/MAG (PATTERSON AND HAYES)
STATE PASS USTR (BURKHEAD) AND USAID (MCCLOUD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR (TABINE), AND
CLDP (TEJTEL AND MCMANUS)
CASABLANCA FOR FCS (ORTIZ)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A
TAGS: ECON EFIN ETRD TS
SUBJECT: TUNISIA: ECONOMIC HIGHLIGHTS

Summary

¶1. (U) This cable contains highlights of recent economic
developments in Tunisia on the following topics:

¶A. Tunisia and Libya Strengthen Economic Ties
¶B. World Bank Forecasts Current Account Deficit Downward
¶C. The GOT Adjusts Domestic Fuel Prices Down
¶D. Tunisia 2008 Trade Deficit Jumps 31 Percent
¶E. Annual Inflation Higher Than GOT Expectations

Tunisia and Libya Strengthen Economic Ties

¶2. (U) On December 25 the Tunisian-Libyan High Commission met in Tripoli to review and discuss ongoing bilateral projects in the banking, energy, trade and infrastructure fields, as part of the regional economic integration process. The High Commission reviewed the coming merger of three state-owned banks, Banque Tuniso-Libyenne (BTL), North Africa International Bank (NAIB) and ALUBAF International Bank Tunis, which is expected to boost Libyan investments in Tunisia. The merger should produce a new entity, with an initial capital value of TND 250 million (US $207.5 million), to be increased at a later date to TND 500 million (US $415 million). The two countries have not decided yet whether this new financial entity will take the form of a joint financial holding or two groups of banks that would provide on-shore and off-shore services.

¶3. (U) In addition, the two countries signed an agreement related to the convertibility of the two national currencies that will allow the use, in the two countries, of credit cards with each country's respective currency. Downstream projects announced include the construction of the Tunisian-Libyan highway, pipelines for transporting gas, oil and oil by-products between the two countries, and a power inter-connection network.

¶4. (SBU) Comment: The GOT sees in Libya a strategic trading partner that can counterbalance the current negative effect that the international financial crisis is having on Tunisian exports to the EU. It is also trying to attract Libyan investment and technical cooperation in an effort to create jobs for unemployed university graduates. End Comment.

--- --------
World Bank Forecasts Current Account Deficit Downward
--- --------

¶5. (U) According to the World Bank's 2009 global economic forecasts, Tunisia will benefit from lower commodity prices through 2010, and current account deficits are projected to decline to zero and 0.8 percent of GDP in 2009 and 2010, respectively. Meanwhile, the World Bank has predicted a decrease in Tunisia's GDP growth in current prices, from the current rate of 5.1 percent down to 3.7 percent, in 2009, to be followed by an increase to 5.8 percent in
¶2010. The World Bank scenario was based on projected oil price of US $75 per barrel, along with a decrease in food prices. These lower price projections stem from anticipated decreases in world demand as a result of the international financial crisis.

-- ------
The GOT Adjusts Domestic Fuel Prices Down (Slightly)
-- ------

¶6. (U) The GOT announced a decrease in the price of gasoline by 50 millimes (roughly 4 cents) per liter, and of liquefied petroleum gas of 200 millimes (about 17 cents) per 13-liter bottle, according to a January 15 statement released by the Ministry of Industry, Energy and Small- and Medium-sized Businesses. This price adjustment is part of a newly created regulation system based on adapting domestic oil prices to international oil prices fluctuations. The decision was unexpected, since in a January 10 press conference Finance Minister Mohamed Kechiche had declared that domestic fuel prices would remain unchanged. The 2009 state budget had projected that the average annual price per barrel would be US $90. That budget targeted 5 percent economic growth, 80,000 jobs created, and a budget deficit of 3 percent of GDP.

Tunisia 2008 Trade Deficit Jumps 31 Percent

¶7. (U) Tunisia's trade deficit widened to TND 6.601 billion (US $5.48 billion) in 2008 from TND 5.027 billion (US $4 billion) in 2007, as the higher cost of energy imports offset growth in food sales abroad, INS data showed on January 13. Energy drove the country's total imports up 23.7 percent, from TND 24.437 billion (US $19.305 billion) in 2007 to TND 30.238 billion (US $25 billion), while exports rose 22 percent from TND 19.409 billion (US $ 15.333 billion) to TND 23.637 billion (US $19.619 billion). Energy imports jumped 64 percent from TND 3 billion (US $2.37 billion) in 2007 to TND 4.913 billion (US $4.08 billion) in 2008. Exports of agriculture products stood at TND 2.155 billion (US $1.79 billion), up from TND 1.888 billion (US $1.49 billion). Clothing and leather exports increased only 0.4 percent from TND 6.076 billion (US $4.8 billion) to TND 6.098 billion (US $5.06 billion), as competition grew from Asian manufacturers after they were granted freer access to key European markets. Exports represent Tunisia's growth engine, at 45 percent of GDP.

Annual Inflation Higher Than GOT Expectations

¶8. (U) Inflation for calendar year of 2008 registered 5 percent, above the government forecast of 3.0 percent, due to soaring world prices of key commodities, according to GOT statistics released January 9. Inflation in 2007 was at 3.1 percent. At the same time, GOT figures showed consumer price inflation down to 4.1 percent year-on-year in December from 4.3 percent in November, as a result of slowing growth in food costs. The rise in food prices, the main component of Tunisia's inflation measurement, reached 3.1 percent from 3.9 percent a month earlier. The government has targeted the 2009 inflation rate at 3.5 percent.

GODEC